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DE RUEHBU #0087 0270942  
ZNR UUUUU ZZH  
P 270942Z JAN 09  
FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC PRIORITY 2927  
RUEHLP/AMEMBASSY LA PAZ JAN 5254  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHRC/DEPT OF AGRICULTURE USD FAS WASHINGTON DC  
RUEHC/DEPT OF LABOR WASHINGTON DC  
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RUCNMR/MERCOSUR COLLECTIVE

UNCLAS BUENOS AIRES 000087

SIPDIS  
SENSITIVE

E.O. 12958: N/A  
TAGS: [ECON](#) [EPET](#) [ETRD](#) [EINV](#) [AR](#) [BL](#)  
SUBJECT: Argentina: Pan American Energy on Bolivian Nationalization  
of Empresa Petrolera Chaco

This cable contains sensitive information - not for internet  
distribution.

¶1. (SBU) Dennis Keleher, CFO of Pan American Energy, called  
Ambassador January 26 to inform him that no/no U.S. citizens were  
involved in the January 23 Bolivian government take-over of Empresa  
Petrolera Chaco SA (Chaco). He said only one UK national had been  
present at the takeover, that all other expatriate employees are  
safe and at their residences in Bolivia, and that Chaco is currently  
being run by YPF Bolivia employees.

¶2. (SBU) Keleher said that Bolivian soldiers and officials showed up  
at Chaco's offices and gas fields last week and that employees were  
made to sign over the remaining ownership shares to the Government  
of Bolivia. Pan American/Chaco, he said, had been negotiating with  
the GoB to ensure preservation of asset value as ownership was  
transferred. Pan American believes, he said, that YPF Bolivia does  
not have the capacity to manage the gas fields and to run the  
company without significant deterioration of performance, and it was  
trying to negotiate a transition processes which would take that  
into account. Keleher said that the earlier Bolivian government  
decree nationalizing the company states that the shares are valued  
at \$29 each, but that it also indicates that tax and other  
liabilities will be taken into account, i.e. any GoB payout will  
likely be much lower. Keleher did not ask for Embassy assistance.

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PAE Ownership  
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¶3. (SBU) Pan American Energy (PAE) was incorporated 1997 in Delaware  
as a strategic alliance between Amoco (now BP America) and  
Argentina's Bulgheroni family-owned Bidas, incorporating all Bidas  
oil and gas properties in the Southern Cone. BP America holds a 60%  
and Bidas a 40% interest in the company. In 2001, BP America and  
Bidas added their 50% stake in Bolivia's exploration and production  
company Empresa Petrolera Chaco SA to PAE holdings. Under its joint  
venture agreement, BP America appoints the PAE CEO and CFO while  
Bidas appoints the COO.

¶4. (SBU) PAE's partial local ownership and its aggressive expansion  
of Argentine oil and gas exploration and production in an era where  
overall Argentine hydrocarbon production has trended steadily  
downward has made this company a favorite of the Kirchner  
administration. The U.S. Department of Commerce Advocacy Center has  
previously declined to take up advocacy on behalf of PAE as a U.S.  
entity, but BP owns its majority stake in PAE through its U.S. BP  
subsidiary.

WAYNE